

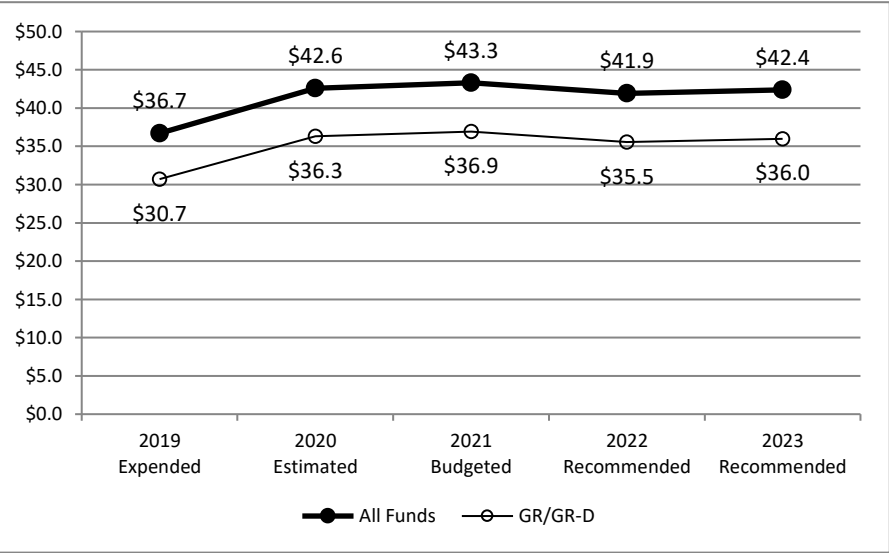
Department of Licensing and Regulation Summary of Budget Recommendations - House

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 Brian Francis, Executive Director
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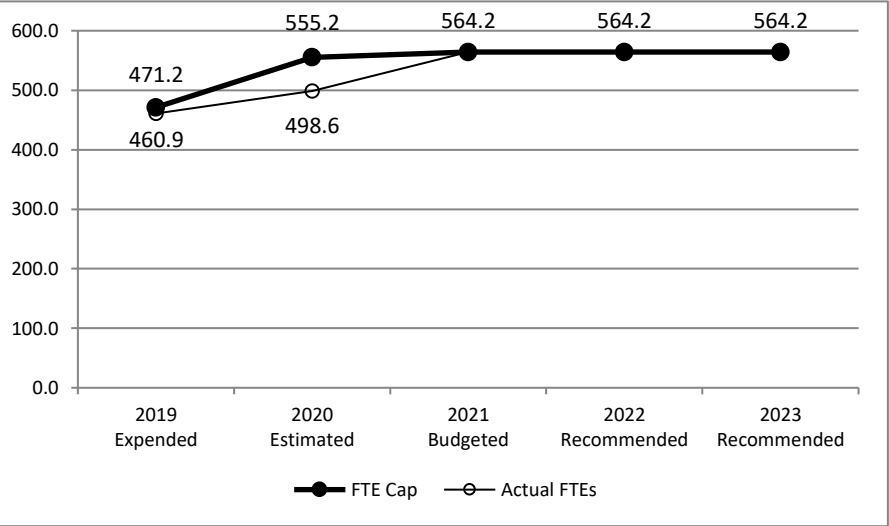
Method of Financing	2020-21 Base	2022-23 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$72,506,998	\$70,160,828	(\$2,346,170)	(3.2%)
GR Dedicated Funds	\$725,241	\$1,378,830	\$653,589	90.1%
<i>Total GR-Related Funds</i>	<i>\$73,232,239</i>	<i>\$71,539,658</i>	<i>(\$1,692,581)</i>	<i>(2.3%)</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$12,674,298	\$12,759,892	\$85,594	0.7%
All Funds	\$85,906,537	\$84,299,550	(\$1,606,987)	(1.9%)

	FY 2021 Budgeted	FY 2023 Recommended	Biennial Change	Percent Change
FTEs	564.2	564.2	0.0	0.0%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2022-23 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2022-23 biennium.

Department of Licensing and Regulation
Summary of Funding Changes and Recommendations - House

Section 2

Funding Changes and Recommendations for the 2022-23 Biennium compared to the 2020-21 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):							
A)	Decrease of one-time expenses for: 1) the first phase of development of a new licensing system, 2) start-up costs of a new anti-trafficking unit, and 3) legislation from the Eighty-sixth Legislature, 2019.	(\$2.5)	(\$0.1)	\$0.0	\$0.0	(\$2.6)	A.1.1., A.1.2, A.1.3, A.1.4, B.1.1, B.1.3, C.1.1, C.1.2, C.1.3
OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):							
B)	Other adjustments, including two full years of certain transferred programs funded with General Revenue-Dedicated Funds.	\$0.1	\$0.8	\$0.0	\$0.1	\$1.0	A.1.1., A.1.2, A.1.3, A.1.4, A.1.5, B.1.1, B.1.2, B.1.3, B.1.4, C.1.1, C.1.2, C.1.3
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		(\$2.4)	\$0.7	\$0.0	\$0.1	(\$1.6)	As Listed
SIGNIFICANT & OTHER Funding Increases		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed
SIGNIFICANT & OTHER Funding Decreases		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed

NOTE: Totals may not sum due to rounding.

**Department of Licensing and Regulation
Selected Fiscal and Policy Issues - House**

1. One-Time Expenses

The Texas Department of Licensing and Regulation (TDLR) was appropriated \$2.5 million in General Revenue and \$80,862 in General Revenue-Dedicated Funds in the 2020-21 biennium related to one-time operating expenses for the following items. Recommendations include a corresponding decrease.

- **Texas Licensing System Phase I** \$2.0 million for the first phase of development of a new licensing system
- **Anti-Trafficking Unit** \$7,574 for computer equipment and cubicles for new FTEs
- **Senate Bill 2119, Transfer of Motor Fuel Metering and Quality Program** \$588,237 for computer equipment and cubicles for transferred FTEs
- **Senate Bill 616, Transfer of Motorcycle and ATV Operator Safety Program** \$80,862 for computer equipment and cubicles for transferred FTEs

2. Texas Licensing System Phase II

The Eighty-sixth Legislature, 2019, appropriated TDLR \$2.0 million in General Revenue funds for the agency's Texas Licensing System (TLS) Phase I. This multi-year project is creating a new licensing system that is non-proprietary and can be modified and maintained by agency staff to eliminate the need for proprietary (vendor) systems with expensive maintenance that cannot be done by agency staff. The agency reports Phase I of the project is on target and on budget to transfer more than 77 percent of individual and business licenses into the system before the end of the 2020-21 biennium. The agency's exceptional item #1 requests \$2.0 million in General Revenue funds for Phase II of the project to complete the migration of their licensees into the new TLS in the 2022-23 biennium. Recommendations do not include funding for this exceptional item (see Section 5, Items Not Included #1).

Funding of Phase II would transfer the following programs into the new TLS:

- Towing and Vehicle Storage Facilities from TOOLS System (currently PowerBuilder)
- Driver's Education Safety, Motorcycle and All-Terrain Vehicle (ATV) Operator Safety, Parent-Taught Driver Education manual online ordering system (legacy system)
- Industrialized Housing and Buildings (Access software system)
- Speech-Language Pathologists and Audiologists (Versa)

TLS would also include a new elevator permitting and inspections framework to include elevator inspector licensing, searches, and reporting from third-party inspectors. And, TLS will have an inspection module for agency inspectors that will assist in routing optimization and risk-based inspection planning.

3. Motorcycle and ATV Operator Safety Program and Motorcycle Safety Grant Program

The Eighty-sixth Legislature passed Senate Bill 616, in part related to the transfer of the motorcycle and off-highway vehicle operator training programs from the Department of Public Safety (DPS) to TDLR. The two programs were consolidated at TDLR as the **Motorcycle and ATV Operator Safety Program**. The consolidated program rules were adopted in June 2020 and the regulation of the program began at TDLR on September 1, 2020. The 2022-23 General Revenue and General Revenue-Dedicated limit for TDLR was adjusted to include two years of Motorcycle Education General Revenue-Dedicated Account 0501 funds. DPS collects \$5 of each Class M license renewal fee and deposits it to the Motorcycle Education Account 0501. The funds from this account may be used to defray the costs of administering the motorcycle operation training and safety program, now at TDLR.

Senate Bill 616 authorized TDLR to establish a **Motorcycle Safety Grant Program** and authorized the use of Motorcycle Education Account 0501 funds to defray the costs of administering the grant program. Senate Bill 616 also required the Texas A&M Engineering Extension Service (TEEX) and the Texas A&M Transportation Institute (TTI) to perform certain activities for the Motorcycle and ATV Operator Safety Program and authorized TEEX and TTI to be eligible for the grants awarded

through the Motorcycle Safety Grant Program for this purpose. The Eighty-sixth Legislature transferred the Motorcycle and ATV Operator Safety program and did not increase appropriations to cover the administration of the new grant program created by the legislation.

The transfer of the program from DPS included 9.0 full-time equivalent (FTE) positions. As part of the budget reduction in the 2020-21 biennium, TDLR froze 6.0 of those FTEs and kept the positions frozen in the baseline request for 2022-23. TDLR’s exceptional item #3 is a request for \$1.5 million in Motorcycle Education Account 0501 funds to establish and administer the Motorcycle Safety Grant Program and to hire a Grants Coordinator III. Recommendations do not include funding for this exceptional item (see Section 5, Items Not Included #3). TDLR estimates the Motorcycle Education Account 501 will have a beginning balance of \$17.5 million in fiscal year 2022 and \$18.4 million in fiscal year 2023. The recommendations for funds from this account totals \$1.2 million for the 2022-23 biennium.

4. **Elevator, Escalator, Related Equipment**

Recommendations modify Rider 11, Additional General Revenue, which provides a process for the agency to request appropriations of fees related to elevator, escalator, and related equipment inspections collected above the annual estimated amount that is included in their regular appropriations. Recommendations remove a requirement for LBB staff to send a recommendation to the legislative leadership offices and that allows 30 days for notification of disapproval. Recommendations simplify the rider so that the agency provides evidence of the excess revenue collections to the Comptroller of Public Accounts (CPA) and once the CPA certifies that fact, the appropriation is released. The table below shows the agency’s excess revenue collections related to this rider for fiscal years 2018 to 2020; these funds lapsed to the General Revenue Fund. The last time the agency was appropriated funds through this rider was in fiscal year 2013.

The rider modifications also move the rider from #11 up to #4 where it will be next to other similar riders, simplify the language, and remove a quarterly reporting requirement to the LBB since related appropriations are analyzed by LBB staff during the Operating Budget and Base Reconciliation processes. (See also Rider Highlights #4)

	2018	2019	2020
Elevator, Escalator, Related Equipment Fees Collected	\$2,048,038	\$2,082,445	\$1,865,557
Rider Threshold	\$1,608,659	\$1,608,659	\$1,608,659
Excess Revenue Collections	\$439,379	\$473,786	\$256,898

5. **Agency Performance Reflects the Texas Economy Amid the Pandemic**

The agency’s performance for certain key measures did not meet the targets set by the Eighty-sixth Legislature primarily due to effects of the pandemic on the agency and the Texas economy. In fiscal year 2020, the agency only met 87.9 percent of the target for the “Number of New Licenses (Individuals)” measure because the agency received less applications for new licenses. The agency reports applicants were unable to meet license requirements such as education, examination, or on-the-job training during the pandemic. However, the agency exceeded the target for the “Number of Renewals (Individuals)” because as the economy struggled due to the pandemic, more individuals chose to renew their licenses and stay in their current professions than in years past. Similarly, fewer businesses applied for new licenses, but more applied to renew existing licenses than had been projected.

In response to the pandemic, the agency suspended inspections as a precaution. Once the inspections resumed, the number of inspections completed had to be decreased to account for the five percent budget reduction. The agency cut the travel budget which limits how many inspections can be completed.

6. **Sunset Review**

The agency is under a limited scope review by the Sunset Advisory Commission. The review covers overall operations, program administration, and structure but exempts all programs that transferred to TDLR on or after September 1, 2016. The Sunset Advisory Commission Staff Report with findings and recommendations was published in June 2020. The report with the Sunset Advisory Commission decisions was published in January 2021.

Among other things, the Staff Report found that the agency's underlying data for the "Total Number of Inspections Completed" and "Inspection Coverage Rate" performance measures were inconsistent. Each measure requires the agency to aggregate data across licensure programs. Sunset staff recommended a Management Action directing TDLR to work with the Legislative Budget Board (LBB) to develop consistent definitions for inspection-related performance measures. The agency worked with LBB staff to correct measure definitions for the 2022–23 biennium. The Sunset review also found that the agency calculates its recidivism rates inaccurately, skewing the data downward. The Staff Report recommended a Management Action directing TDLR to correct the measure's methodology to accurately represent the number of individuals, not cases that commit multiple violations within and across fiscal years. The accurate methodology has been used for the affected measure in this packet and will be used in future Legislative Budget Estimates publications and other performance measure reporting.

The Sunset Advisory Commission is recommending the continuation of TDLR as an agency.

7. Strategic Fiscal Review

Because the agency is currently under Sunset review it is also subject to the Strategic Fiscal Review (SFR) process outlined in Senate Bill 68, Eighty-sixth Legislature, 2019. Historical program and financial information was collected and analyzed to inform the budget process. Significant findings are outlined in the report, but highlights include that the agency's regulatory workload increased from 25 licensure programs in fiscal year 2014 to 40 licensure programs in fiscal year 2021, the number of licensees served by the agency by the end of fiscal year 2021 is estimated to be 1.2 million, and the agency identified some statutory changes that may help them improve some of their licensure programs.

Department of Licensing and Regulation
Rider Highlights - House

Modification of Existing Riders

2. **Capital Budget.** Recommendations amend this rider to remove \$2.0 million in capital budget authority for one-time capital budget expenditures in the 2020–21 biennium (See Section 3, One-Time Expenses) and update capital budget authority to reflect recommended funding levels for the following items: (1) maintain \$0.2 million in funding and authority to continue with scheduled PC replacements; and (2) provide \$2.5 million in authority for Data Center Consolidation (DCS) to reflect estimated costs to maintain current obligations as identified by the Department of Information Resources, an increase of \$0.3 million over the 2020-21 DCS cost.
3. **Contingent Appropriation: Travel Expenses and Fee Reimbursements for Boiler Inspections.** Recommendations amend this rider to make the title descriptive of the appropriation authority provided, eliminate a provision that is duplicated in the Special Provisions to Article VIII, and remove an unnecessary reporting requirement. The table below shows the agency’s excess revenue collections related to this rider for fiscal years 2018 to 2020.

	2018	2019	2020
Special Boiler Inspection Fees Collected	\$491,261	\$317,700	\$421,600
Rider Threshold	\$312,600	\$312,600	\$312,600
Excess Revenue Collections	\$178,661	\$5,100	\$109,000

4. **Contingent Appropriation: Elevators, Escalators and Related Equipment.** Recommendations amend this rider to make the title descriptive of the appropriation authority provided, re-sequence it from #11 to #4 to be near similar riders, simplify text of rider to remove language that micro-manages the agency, and removes an unnecessary reporting requirement.
5. **Contingent Appropriation: Combative Sports Regulation.** Recommendations amend this rider to make the title descriptive, re-sequence it from #12 to #5 to be near similar riders, and update years and threshold for collections to reflect estimated revenue collections for the program in 2022-23.
9. **Reimbursement of Advisory Committee Members for Travel Expenses.** Recommendations amend this rider to add the Auctioneer Advisory Board (in existence since 1991) and the Motorcycle Safety Advisory Board (in existence since 2020) and correct the names of certain advisory committees in the existing rider. TDLR reports that the agency has not been able to cover the travel expenses within their appropriations since budget reductions that took effect in 2010. TDLR staff help to facilitate the work of the 32 advisory committees that assist the Texas Commission of Licensing and Regulation (TCLR) in regulating the diverse group of licensure programs.
11. **Combative Sports Program Attendance Report.** Recommendations change this rider from #14 to #11 and modify it to require the agency to maintain a list of TDLR and TCLR attendees at combative sports events instead of providing the list to the LBB on a quarterly basis. The reported information is not necessary for fiscal oversight and does not affect agency appropriations.
12. **Anti-Trafficking Unit.** Recommendations change this rider from #15 to #12, amend the title of this rider to reflect the agency’s name for the unit that specializes in human trafficking inspections, and updates the amount of General Revenue and full-time equivalent positions identified for this purpose in each fiscal year.

Deleted Riders

5. **Reciprocity Agreements.** Recommendations remove this rider that expressed legislative intent without affecting agency appropriations.
6. **Elimination of Architectural Barriers: Reduce Duplicate Inspections.** Recommendations remove this rider which prohibits TDLR from duplicating certain inspections that the agency no longer conducts.
7. **Architectural Barrier Standards: Exemption.** Recommendations remove this rider which prohibits TDLR from doing something that statute prohibits.

Department of Licensing and Regulation
Items Not Included in Recommendations - House

		2022-23 Biennial Total					
		GR & GR-D	All Funds	FTEs	Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2024-25
Agency Exceptional Items Not Included (in agency priority order)							
1)	Texas Licensing System Phase II	\$2,000,000	\$2,000,000	0.0	Yes	Yes	\$0
2)	Funds Restoration: Military Licensing Program Specialist and Web Administrator Positions	\$291,864	\$291,864	0.0	No	No	\$285,784
3)	Establish Motorcycle Safety Grant Program	\$1,500,000	\$1,500,000	0.0	No	No	\$1,500,000
4)	Vehicle Fleet Replacement	\$375,000	\$375,000	0.0	No	No	\$0
Agency Rider Requests Not Included							
5)	Amend Rider 10, Reimbursement of Advisory Committee Members for Travel Expenses, to add Motor Fuel Metering and Quality Advisory Board.	\$0	\$0	0.0	No	No	\$0
6)	Delete Rider 15, Human Trafficking Inspections, which identifies the General Revenue and FTE appropriation dedicated to the unit that specializes in human trafficking inspections.	\$0	\$0	0.0	No	No	\$0
7)	New Rider, Unexpended Balances Within the Biennium - Grants, which would allow the agency to carry forward unexpended balances of the Motorcycle Safety Grant Program between fiscal year 2022 and fiscal year 2023.	\$0	\$0	0.0	No	No	\$0
TOTAL Items Not Included in Recommendations		\$4,166,864	\$4,166,864	0.0	\$1,785,784		

Department of Licensing and Regulation
Appendices - House

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* Appendix is not included - no significant information to report

Department of Licensing and Regulation
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS

Strategy/Goal	2020-21 Base	2022-23 Recommended	Biennial Change	% Change	Comments (Optional)
LICENSE, REGISTER AND CERTIFY A.1.1	\$11,541,482	\$10,999,352	(\$542,130)	(4.7%)	Decrease to other operating expenses
LICENSE BUSINESSES AND FACILITIES A.1.2	\$2,861,952	\$2,807,623	(\$54,329)	(1.9%)	
EXAMINATIONS/CONTINUING EDUCATION A.1.3	\$3,378,913	\$3,825,188	\$446,275	13.2%	Increase to other operating expenses
CUSTOMER SERV. A.1.4	\$5,541,044	\$5,651,502	\$110,458	2.0%	
TEXAS.GOV A.1.5	\$1,375,000	\$1,300,000	(\$75,000)	(5.5%)	
Total, Goal A, LICENSING	\$24,698,391	\$24,583,665	(\$114,726)	(0.5%)	
CONDUCT INSPECTIONS B.1.1	\$20,198,267	\$20,338,589	\$140,322	0.7%	
BUILDING PLAN REVIEWS B.1.2	\$2,026,772	\$2,090,238	\$63,466	3.1%	
RESOLVE COMPLAINTS B.1.3	\$9,036,348	\$9,100,945	\$64,597	0.7%	
INVESTIGATION B.1.4	\$7,781,669	\$8,092,677	\$311,008	4.0%	
Total, Goal B, ENFORCEMENT	\$39,043,056	\$39,622,449	\$579,393	1.5%	
CENTRAL ADMINISTRATION C.1.1	\$9,639,610	\$8,989,572	(\$650,038)	(6.7%)	
INFORMATION RESOURCES C.1.2	\$11,012,493	\$9,462,891	(\$1,549,602)	(14.1%)	Decrease primarily related to removal of \$2.0 million in one-time funding for development of the agency's Texas Licensing System
OTHER SUPPORT SERVICES C.1.3	\$1,512,987	\$1,640,973	\$127,986	8.5%	
Total, Goal C, INDIRECT ADMINISTRATION	\$22,165,090	\$20,093,436	(\$2,071,654)	(9.3%)	
Grand Total, All Strategies	\$85,906,537	\$84,299,550	(\$1,606,987)	(1.9%)	The agency's 2022-23 recommendations include biennialized funding for the Motorcycle and All-Terrain Vehicle Safety Program which was transferred to TDLR from the Department of Public Safety in fiscal year 2021 (only one year of funding was included for the program in the 2020-21 base).

Department of Licensing and Regulation
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2019	Estimated 2020	Budgeted 2021	Recommended 2022	Recommended 2023
Cap	471.2	555.2	564.2	564.2	564.2
Actual/Budgeted	460.9	500.5	564.2	NA	NA

Schedule of Exempt Positions (Cap)

Executive Director, Group 6	\$179,375	\$190,000	\$190,000	\$190,000	\$190,000
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Notes:

a) The State Auditor's Office Report, *Executive Compensation at State Agencies* (Report 20-706, August 2020), indicates a market average salary of \$184,932 for the Executive Director position at the Department of Licensing and Regulation. The agency is not requesting any changes to its exempt position.